

VZCZCXRO3542
RR RUEHGR
DE RUEHB #0121 0521808
ZNR UUUUU ZZH
R 211808Z FEB 07
FM AMEMBASSY BELMOPAN
TO RUEHC/SECSTATE WASHDC 0268
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUCNCOM/EC CARICOM COLLECTIVE
RUEHLO/AMEMBASSY LONDON 0016
RUEHME/AMEMBASSY MEXICO 0041

UNCLAS BELMOPAN 000121

SIPDIS

SIPDIS

STATE FOR WHA/CEN//JASON MACK

PASS TO EXIM//MICHELE WILKINS AND MICHELLE D. MILLER

TO USTR

TREASURY FOR WHA//FRANCISCO PARODI AND JEFFREY LEVINE

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [EAID](#) [PGOV](#) [PREL](#) [SOCI](#) [BH](#)

SUBJECT: BELIZE: SUCCESS OF SUPERBOND EXCHANGE OFFER DAMPENS RUMOR
OF EARLY ELECTIONS

REF: (A) 2006 BELMOPAN 66

- (B) 2006 BELMOPAN 91
- (C) 2006 BELMOPAN 40
- (D) 2006 BELMOPAN 44

¶1. Summary: On January 31, the Government of Belize announced a USD 565 million bond exchange offer (ref A) that has given the government relief from sovereign debt default and has dampened rumors of early general elections. The new 2007/2008 budget is expected on March 2 and will be the first test of the government's ability to stay within the IMF-recommended overall budget deficit level of 3 percent of GDP. End Summary.

¶2. On January 31, the Government of Belize officially announced that "the holders of the country's public external commercial indebtedness have overwhelmingly agreed to exchange their existing claims against the country for new bonds to be issued by Belize maturing 2029" (ref A). Holders of 97 percent of the debt have accepted the exchange offer and will receive the new bonds on February 20.

¶3. Government's fiscal year runs from April 1 to March 31 and the new 2007/2008 budget is expected to be delivered March 2. When this happens, the government must stay within the IMF-recommended overall budget deficit level of 3 percent of GDP or risk losing substantial loan guarantees. The government's commitments to the Caribbean Development Bank and the Inter-American Development Bank to implement serious fiscal and monetary reforms should get their first test when the new budget is delivered.

DIETER